Supreme Court
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No. _____

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1999

LUCENT INFORMATION MANAGEMENT, INC.,

Petitioner,

v.

LUCENT TECHNOLOGIES, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT AND APPENDIX

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62 pp

QUESTION PRESENTED FOR REVIEW

Whether an application for federal trademark registration filed on an intent-to-use-basis may cut off the common law trademark rights of a bona fide prior, continuous, albeit new and not-yet-commercially successful, user of the same mark?

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OCTOBER TERM, 1999

LUCENT INFORMATION MANAGEMENT, INC.,

Petitioner,

v.

LUCENT TECHNOLOGIES, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Lucent Information Management, Inc. respectfully petitions this Court to issue a writ of certiorari to review the judgment of the United States Court of Appeals for the Third Circuit in *Lucent Information Management, Inc. v. Lucent Technologies, Inc.*, No. 98-7203, entered on August 3, 1999.

PARTIES TO PROCEEDING AND RULE 29.6 STATEMENT

The parties to this proceeding in the court of appeals are fully listed in the case caption. Petitioner Lucent Information Management, Inc. has no parent corporations and no nonwholly owned subsidiaries.

OPINIONS BELOW

The opinion of the district court is reported at 986 F. Supp. 253 and is reproduced in the Appendix to this petition as Appendix B (27a-42a).

The opinion of the court of appeals is reported at 186 F.3d 311 and is reproduced in the Appendix to this petition as Appendix A (1a-26a).

JURISDICTION

The court of appeals' judgment was entered on August 3, 1999. This Court has jurisdiction to review the judgment of the court of appeals under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 1(b) of the Trademark Act of 1946 ("Lanham Act"), as amended, codified at 15 U.S.C. § 1051(b), provides:

> A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may apply to register the trademark under this chapter on the principal register hereby established:
>
> (1) By filing in the Patent and Trademark Office—
>
> (A) a written application, in such form as may be prescribed by the Commissioner, verified by the applicant, or by a member of the firm or an officer of the corporation or association applying, specifying applicant's domicile and citizenship, applicant's bona fide intention to

> use the mark in commerce, the goods on or in connection with which the applicant has a bona fide intention to use the mark and the mode or manner in which the mark is intended to be used on or in connection with such goods, including a statement to the effect that the person making the verification believes himself or herself, or the firm, corporation, or association in whose behalf he or she makes the verification, to be entitled to use the mark in commerce, and that no other person, firm, corporation, or association, to the best of his or her knowledge and belief, has the right to use such mark in commerce either in the identical form of the mark or in such near resemblance to the mark as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to cause mistake, or to deceive; however, except for applications filed pursuant to section 1126 of this title, no mark shall be registered until the applicant has met the requirements of subsection (d) of this section; and
>
> (B) a drawing of the mark.

(2) By paying in the Patent and Trademark Office the prescribed fee.

(3) By complying with such rules or regulations, not inconsistent with law, as may be prescribed by the Commissioner.

Section 7(c) of Lanham Act, codified at 15 U.S.C. § 1057(c), provides:

> Contingent on the registration of a mark on the principal register provided by this chapter, the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right

of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and who, prior to such filing —

(1) has used the mark;

(2) has filed an application to register the mark which is pending or has resulted in registration of the mark; or

(3) has filed a foreign application to register the mark on the basis of which he or she has acquired a right of priority, and timely files an application under section 1126(d) of this title to register the mark which is pending or has resulted in registration of the mark.

Section 45 of the Lanham Act, codified at 15 U.S.C. § 1127, provides in relevant part:

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

STATEMENT OF THE CASE

The summary judgment record, viewed in the light most favorable to the non-moving party, shows the following:

A. *LIM's Adoption and Use of the Name and Mark LUCENT*

In 1995 Norman Feinstein, Samuel Weinberg, Edward Eisen, and Cliff Armstrong formed Petitioner Lucent Information Management, Inc. ("LIM"), to provide document imaging and management services, acting as a consultant on and reseller of software and hardware. LIM selected the name LUCENT during the summer of 1995 after finding it in a dictionary. Since its formation, LIM has operated out of the Bala Cynwyd, Pennsylvania, office of Feinstein's other business, Corporate Consultants, Inc., an employee benefits company. The four principals are LIM's only employees and Feinstein's employees at Corporate Consultants perform LIM's clerical and bookkeeping work.

In August and September of 1995, soon after its inception, LIM began its marketing efforts. At that time, LIM hired a graphic designer to develop a logo, letterhead, business cards and other assorted documents such as messages, message pads, labels and brochures. LIM's marketing materials included a folder holding documents from manufacturers and software producers containing labels which identified LIM as the source of the products.

On September 5, 1995, Mr. Feinstein, one of LIM's principals, wrote a letter on the letterhead of another of his companies, Corporate Consultants, which introduced LIM, by name,

and the services it provided. The letter was sent to between approximately 25-50 people: clients of Corporate Consultants and other contacts Mr. Feinstein viewed as potential customers. That letter referred to the services LIM was providing and specifically associated the LUCENT mark with those services: "The name Lucent was selected after extensive study and with various database searches. It is a derivation of translucent and well describes our mission of providing light, clarity, and guidance in a new and exciting field."

Beginning in October 1995, LIM entered into several distributorship agreements with hardware and software companies which authorized it to resell those companies' products. For example, in October 1995 LIM entered into a contract permitting LIM to resell File Magic software, as well as a contract with Tech Data. LIM's principals also attended an exposition in October 1995, sponsored by Imaging World Magazine, at which LIM was registered by its name and the attending LIM principals wore badges that bore the company name.

In November 1995, LIM received its business cards and letterhead from the printers and LIM's principals began distributing extensively their business cards, bearing the LUCENT mark, as a means of advertisement. In the Fall of 1995, LIM also directed its marketing efforts at prospects through personal solicitations via mail, phone and personal meetings. LIM, however, did not engage in any media advertising, but its employees discussed business with virtually everyone with whom they came in contact. Because LIM was a start-up company, with a limited budget, offering relatively expensive document imaging equipment and services which are not easily sampled by customers, LIM concentrated its marketing efforts on existing business and personal contacts.

Ultimately, LIM made sales presentations to three companies prior to November 30, 1995, the date on which Respondent Lucent Technologies, Inc. ("LTI") filed an Intent to Use application for federal registration of the LUCENT mark. On November 3, 1995 LIM made a presentation to ARAMARK in Philadelphia, on November 17, 1995 LIM made a presentation to NBC in New York, on November 21, 1995 LIM made its first

of several presentations to Nixon Uniform in Delaware. Although LIM's initial contact with Nixon Uniform was through a personal friend, the solicitation letter and LIM's presentation was made to another Nixon Uniform employee with whom LIM had no prior connection.

Although LIM used various marketing techniques, it made only two sales prior to December 1, 1995. Specifically, on October 5, 1995 for $323.50 LIM installed a modem for the Israel Bonds Office in Philadelphia and provided related training. LIM's contact at the Israel Bonds Office was a friend of one of LIM's principals. LIM provided the Israel Bonds Office with an invoice on a pre-printed LIM form though payment was directed to Mr. Armstrong, one of LIM's principals. In addition to LIM's sale to the Israel Bonds Office, on October 17, 1995 LIM took an order from Corporate Consultants, Mr. Feinstein's company with whom LIM shared office space. The services rendered to Corporate Consultants included: network servers, network fax software, SCSI cards, scanners, and other peripherals as well as consultation services on the design of their document imaging system beginning on November 12, 1995. By the end of 1996, however, LIM had sales totaling $138,000.

B. *LTI's Application to Register the Mark LUCENT*

LTI is the telecommunication and technology business spun-off from AT&T in 1996. A consultant suggested LUCENT as a potential name for the new business. Frank L. Politano, a trademark attorney, coordinated the trademark clearance. In November 1995, AT&T obtained a trademark name search and two trademark search reports, all of which located companies using the mark LUCENT or variants of it. One of the three search results included a reference to LIM.

On November 30, 1995, LTI through its predecessor-in-interest filed an intent-to-use application ("ITU") with the United States Patent and Trademark Office for the mark LUCENT for various telecommunications and computer-related goods and services. When AT&T announced the spin-off on February 5, 1996, major newspapers and media covered the event. Many articles included LUCENT in the headline and LTI mailed out

over 1.2 million announcements to potential customers. Like most of America, LIM learned about LTI in February 1996.

C. *Procedural History*

LIM filed this suit on September 12, 1996. LIM alleged that LTI infringed its trademark in violation of 15 U.S.C. § 1125(a), and alleged service mark and trade name infringement and unfair competition and deceptive trade practices under Delaware law (Counts I-V). Jurisdiction of the District Court was based upon 28 U.S.C. § 1331. LIM sought injunctive relief, recovery of LTI's profits, and treble damages. LTI answered on October 3, 1996, denying infringement and raising several affirmative defenses, but generally admitting use of the name.

On July 3, 1997, LTI moved for summary judgment as to Counts I-V of the complaint, on the ground that LTI had prior rights to the name and mark LUCENT. The district court granted LTI's summary judgment motion as to Counts I-V in an opinion and accompanying order dated November 5, 1997, holding as a matter of law that LIM did not "use" the LUCENT mark prior to LTI's ITU filing on November 30, 1995. *Lucent Information Management, Inc. v. Lucent Technologies, Inc.*, 986 F. Supp. 253 (D. Del. 1997). After the further proceedings LIM filed a timely appeal on April 17, 1998. On August 3, 1999, the Court of Appeals affirmed, measuring LIM's "use" by a four-factor test that had been set forth in a case involving a territorial dispute between concurrent trademark users, *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398-99 (3d Cir. 1985) ("(1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area.") (footnotes omitted). The court of appeals concluded:

> LIM existed for only about three months before LTI filed its ITU, had made but one sale in that period[1],

[1] The court of appeals did not recognize the second sale, which was made on October 17, 1995 to Corporate Consultants, because that was an affiliated company.

> had not invested any monies in public advertising[2] or expanded beyond its initial set-up, and had made a relatively small number of sales presentations. . . . Certainly any new business will need time to get off the ground, but the courts cannot aid that effort by awarding trademark rights in an unregistered mark that the business hopes or anticipates will be used but has not been used.

Lucent Information Management, Inc. v. Lucent Technologies, Inc., 186 F.3d 311, 317 (3d Cir. 1999). Thus, the court of appeals looked to longevity, media advertising and commercial success as the indicia of "use", and consequently found that LTI had priority, since it filed its ITU before LIM had a chance to "get off the ground".

REASONS FOR GRANTING THE PETITION

As enterprises of all sizes and stripes expend ever more energy and resources in raiding the finite lexicons of English phonemes, Greek and Latin roots, and even pure babble, to find product and service names that are at once evocative of positive qualities, easily spellable and pronounceable, pithy, and inoffensive to speakers of any language around the globe, conflicts between competing users are growing more common.[3] This case presents the Court the opportunity, for the first time, to establish a uniform standard to govern the most fundamental issue in such disputes, that is, which user has priority.

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[2] By "public advertising" the court of appeals evidently meant "media advertising," as business cards, direct mail, telephone solicitation and sales presentations are all forms of "advertising." *Black's Law Dictionary* 50 (5th ed. 1979) ("any oral, written, or graphic statement made by the seller in any manner in connection with the solicitation of business").

[3] Filings of trademark actions in the federal courts increased more than 40% from 1994 to 1998, from 2,457 to 3,448. *Judicial Business of the United States Courts 1998* Table C-2A (Admin. Of. U.S. Courts). Disputes over priority are the stuff from which such litigation is made: *See, e.g., Johnny Blastoff, Inc. v. Los Angeles Rams Football Co.*, 188 F.3d 427 (7th Cir. 1999); *Carnival Brand Seafood Co. v. Carnival Brands, Inc.*, 187 F.3d 1307 (11th Cir. 1999); *Allard Enterprises v. Advanced Programming Resources*, 146 F.3d 350 (6th Cir. 1998); *Talk to Me Products, Inc. v. Larami Corp.*, 992 F.2d 469 (2d Cir. 1993); *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499 (7th Cir. 1992).

A. By Requiring Longevity, Media Advertising and Commercial Success to Establish "Use", the Court of Appeals Erected a Substantial New Barrier to the Creation of Common Law Trademark Rights and Eviscerated the Rule that Adoption and Continuous Bona Fide Commercial Use, Not a Race to Registration, Determine Trademark Priority

It is fundamental that it is adoption and use that establish trademark rights, not registration. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916); *Allard Enterprises v. Advanced Programming Resources*, 146 F.3d 350, 356 (6th Cir. 1998). Although the 1988 Lanham Act amendments introduced the concept that an application for trademark registration is, contingent upon a registration actually issuing, "constructive use" of the mark as of the date of the application, the traditional rule was preserved by providing that the constructive user does not have priority over prior actual users. 15 U.S.C. § 1057(d). "The user who first appropriates the mark obtains an enforceable right to exclude others from using it, as long as the initial appropriation and use are accompanied by an intention to continue exploiting the mark commercially." *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1271 (2d Cir. 1974).

A trademark is "used" when it is attached to a product sold to the public. *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992). It is not necessary that the use have gained wide public recognition and even a single use in trade can sustain trademark rights if followed by continuous commercial utilization. *Blue Bell, Inc. v. Farah Manufacturing Co., Inc.*, 508 F.2d 1260, 1265 (5th Cir. 1975); *Societe Anonyme, supra.* The trademark use must, however, be bona fide. *Talk to Me Products, Inc. v. Larami Corp*, 804 F.Supp. 555, 561 (S.D.N.Y. 1992), *aff'd*, 992 F.2d 469 (2d Cir. 1993). Intracompany "sales" or nominal sales to friends or relatives made solely for the purpose of laying a claim for use, do not qualify to establish rights in a trademark. *Blue Bell, Talk to Me, Zazu Designs.* To prove bona fide usage, the proponent of the trademark must demonstrate that his use of the mark has been deliberate and

continuous, not sporadic, casual or transitory. *Societe Anonyme*, *supra*, at 1271-1272. Never before has priority been denied because the business of a bona fide, continuous user had not yet—by the time the junior user commenced actual or constructive use—gotten "off the ground." Longevity, media advertising and commercial success, singly or in combination, as opposed to continuous bona fide commercial activity, have never before been necessary to establish prior "use."[4]

The likely effect of the court of appeals' approach is plain—by making longevity, media advertising and commercial success the touchstones of "use," the small-scale enterprise will be precluded from establishing common law trademark rights through bona fide, continuous commercial activity under the mark. Later users with greater resources, or mere ITU applicants not having used the mark at all, will be able to poach the mark before the senior user has achieved the as-yet-undefined levels of longevity, media advertising and commercial success that are now necessary as a matter of law in the Third Circuit to confer priority. This is especially true in an age where new enterprises such as LTI are born with billions of dollars in capitalization and can easily swamp the efforts of a start-up like LIM to gradually establish a thriving business under a mark.

Before LTI filed its ITU, and without any knowledge that this as-yet-unnamed spin-off of AT&T would later adopt the same mark, LIM engaged in bona fide and continuous commercial activity under the LUCENT mark. It made solicitations using the LUCENT mark personally, by phone and by mail, distributed business cards bearing the mark, made three formal sales presentations and completed at least one sale to an unaffiliated party. This not only constituted "use" of the mark under any ordinary understanding of the word "use," it qualified as "use in commerce" as that term is defined in the Lanham Act. 15 U.S.C. § 1127. It was sufficient "use" to come to the attention of LTI when it did its trademark clearance search. By

[4] "Use" is defined as "the application or employment of something for a purpose." *American Heritage Dictionary* 1966 (3d ed. 1992). There is no temporal component, nor any requirement that the purpose be accomplished.

the end of 1996, LIM had sales of $138,000. Although most of these sales occurred in the 13 months after LTI filed its ITU, this subsequent use, which the court of appeals disregarded in granting summary judgment, is probative evidence of the bona fides and continuity of LIM's prior use which the jury should also have been able to consider. *Allard Enterprises*, *supra*, 146 F.3d at 359-60.

The court of appeals, lacking statutory support or judicial precedent for erecting its new barrier to the creation of common law trademark rights, borrowed an inapplicable standard from cases involving disputes arising out of the territorial limits of a senior user's mark when a junior user had cultivated the same mark in a geographically remote market. *Natural Footwear Ltd v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398 (3d Cir. 1985). The *Natural Footwear* test measures "(1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area." The purpose of this test is to ensure that a common law trademark holder's rights do not precede it into a market it has not yet penetrated but which a subsequent user has penetrated. *Natural Footwear*, and similar tests in other circuits, have never been applied to cut off common law rights of a senior user in its limited market area, or to set an absolute "floor" as to how much use is "enough" to establish priority. Rather, these tests are a means of *comparing* the relative market penetration of concurrent users in a particular area.

There is no indication in the history or subsequent application of that four-factor test that it was intended to be used to discern the status of a prior user as an initial matter. Rather, the history and later reliance on the *Natural Footwear* test supports the conclusion that this test is a tool of equity designed to determine the appropriate remedy in a geographical dispute between two good faith users of a mark. The *Natural Footwear* test is an exception to the well-established rule of law that a senior user is deemed the exclusive owner of the

trademark. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 101, (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415-16, (1916). This test was not meant to be dispositive of the issue of priority and contrasts sharply with the standard relied upon by Judge Friendly in *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, *supra*, *495 F.2d at 1274*, that "there must be a trade in the goods sold under the mark or at least an active and public attempt to establish such a trade." (quoting *Clairol, Inc. v. Holland Hall Products, Inc.*, 165 U.S.P.Q. 214 (TTAB 1970)). A reasonable trier of fact could surely have found that LIM's pre-November 30, 1995 use of the LUCENT mark met this standard.

B. The Court of Appeals' Approach Creates A Division Amongst the Circuits

The Third Circuit *Natural Footwear* test, as applied to the threshold issue whether "use" of a mark has been sufficient to confer priority, stands in stark contrast to the approach of the other courts of appeals, *see Allard Enterprises v. Advanced Programming Resources*, *supra*, 146 F.3d at 358 (6th Cir.) ("As long as there is a genuine use of the mark in commerce, however, ownership may be established even if the first uses are not extensive and do not result in deep market penetration or widespread recognition."); *Blue Bell, Inc. v. Farah Manufacturing Co.*, 508 F.2d 1260, 1265 (5th Cir. 1975) ("Such use need not have gained wide public recognition, and even a single use in trade may sustain trademark rights if followed by continuous commercial utilization."); *Hydro-Dynamics, Inc. v. George Putnam & Co.*, 811 F.2d 1470, 1474 (Fed. Cir. 1987) (single bona fide shipment in commerce may support registration); *Kathreiner's Malzkaffee Fabriken v. Pastor Kneipp Medicine Co.*, 82 F. 321, 326 (7th Cir. 1897) ("it is not essential that its use has been long continued, or that the article should be widely known, or should have attained great reputation"); *La Societe Anonyme*, *supra*, 495 F.2d at 1271 (2d Cir.) ("The user who first appropriates the mark obtains an enforceable right to exclude others from using it, as long as the initial appropriation and use are accompanied by an intention to continue exploiting the mark commercially.") It is clear that in those

other circuits, a different result would have been reached. At minimum, the issue of priority would have reached a jury. This Court should take this opportunity to establish a uniform national standard for this important threshold issue in trademark cases.

CONCLUSION

For the foregoing reasons, Lucent Information Management, Inc.'s Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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Dated: November 1, 1999

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APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

NO. 98-7203

LUCENT INFORMATION MANAGEMENT, INC.,

Appellant,

v.

LUCENT TECHNOLOGIES, INC.,

Appellee.

On Appeal From the United States District Court
for the District of Delaware
(D.C. Civ. No. 96-00450)

Argued May 25, 1999

BEFORE: GREENBERG and ALITO, Circuit Judges,
and ACKERMAN, District Judge*

(Opinion filed August 3, 1999)

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* Honorable Harold A. Ackerman, Senior Judge of the United States District Court for the District of New Jersey, sitting by designation.

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OPINION OF THE COURT

GREENBERG, Circuit Judge.

I. INTRODUCTION

This trademark case involves the question of what constitutes "use" sufficient to establish common law trademark rights. Lucent Information Management, Inc. ("LIM") argues that it had common law rights in the mark "LUCENT" prior to Lucent Technologies, Inc. ("LTI"), based on its usage of that mark before LTI filed an intent to use ("ITU") application with the United States Patent and Trademark Office ("PTO"), indicating its intention to use the mark LUCENT in commerce. LIM further alleges that LTI did not act in good faith in adopting and using the mark. We find that LIM's limited use of the mark did not constitute prior use in commerce sufficient to establish rights in the mark, and that, as a result, LTI's adoption and use of the mark did not constitute trademark infringement, and was in good faith as a matter of law.

II. FACTUAL AND PROCEDURAL HISTORY

A. LIM's Adoption and Use of the Name and Mark LUCENT

We accept as true the facts set forth by the district court, which drew all reasonable inferences in favor of LIM. In 1995 Norman Feinstein, Samuel Weinberg, Edward Eisen, and Cliff

Armstrong formed LIM, a Pennsylvania corporation, to provide document imaging and management services, acting as a consultant on and re-seller of software and hardware. LIM selected the name LUCENT during the summer of 1995 after finding it in a dictionary. Since its formation, LIM has operated out of the Bala Cynwyd, Pennsylvania, office of Feinstein's other business, Corporate Consultants, Inc., an employee benefits company. The four principals are LIM's only employees and Feinstein's employees at Corporate Consultants perform LIM's clerical and bookkeeping work. In the fall of 1995, LIM began using contacts and referrals to inform individuals and companies of its services. On September 5, 1995, Feinstein sent a one-page letter on Corporate Consultants' letterhead to about 50 people to announce the services LIM would offer. On October 5, 1995, Armstrong installed a modem for the Israel Bonds Office in Philadelphia. While Armstrong, not LIM, received the payment of $323.50 for the installation, the purchaser's invoice shows LIM's name and address, and viewed favorably to LIM, this transaction was its first sale.[1]

Through the end of 1995, LIM continued to seek clients from existing contacts and referrals. LIM did not do any public or paid advertising, relying instead on word of mouth and its solicitations of business from acquaintances of its principals. In November 1995, LIM made sales presentations to acquaintances at NBC in New York, Aramark in Pennsylvania, and Nixon Uniform in Delaware, but these presentations did not result in sales. From December 1, 1995, to February 5, 1996, LIM made about 12 presentations and continued to promote the new business with people the principals met socially and in business. The date of February 5, 1996, is significant because on that the date AT&T announced the creation of LTI to the public through a huge media campaign. On February 16, 1996, LIM made another sale, entering into a support agreement with

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[1]On October 16, 1995, LIM met with Corporate Consultants to select products and services, and it then rendered services to it through November. The district court did not credit this as a sale because it involved services provided to Feinstein himself.

a local bank. Finally, on April 29, 1996, LIM filed an application with the PTO to register LUCENT for computer and office-related services.[2]

B. LTI's Adoption and Use of the Name and Mark LUCENT

LTI is the telecommunication and technology business spun-off from AT&T in 1996. A consultant suggested LUCENT as a potential name for the new business. Frank L. Politano, a trademark attorney, coordinated the trademark clearance. In November 1995, AT&T obtained a trademark name search and two trademark search reports, all of which located companies using the mark LUCENT or variants of it. One of the three search results included a reference to LIM.

On November 30, 1995, LTI through its predecessor in interest filed an intent to use application ("ITU") with the PTO for the mark LUCENT for various telecommunications and computer-related goods and services.[3] When AT&T announced the spin-off on February 5, 1996, major newspapers and media covered the event. Many articles included LUCENT in the headline and LTI mailed out over 1.2 million announcements to potential customers. Like most of America, LIM learned about LTI in February 1996. On March 15, 1996, LIM's trademark counsel, John Caldwell, sent LTI a letter objecting to LTI's use of the name LUCENT, stating that LIM had adopted and used LUCENT on a "nationwide" basis. This cease-and-desist letter stated in part:

> In August and September, 1995, [LIM] began corresponding under the Lucent name . . . . This was a

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[2]That application listed the first use of LUCENT as March 6, 1996; LIM amended the application after this suit was filed to claim the September 5, 1995 sale to the Israel Bonds Office as the date of first use.

[3]The Trademark Law Revision Act of 1988 added provisions allowing for registration of a mark on a showing that the applicant has a "bona fide intention . . . to use a trademark in commerce." *15 U.S.C. § 1051*(b). Filing such an "intent-to-use" application establishes priority as of the date of filing (except as against those already using the mark), but a statement of actual use must be filed within 6 months, which may be extended to 24 months. *15 U.S.C. § 1051*(d). At the same time the law was revised to provide that " 'use in commerce' means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark." *15 U.S.C. § 1127*

> nationwide effort . . . . A copy of the letter sent at that time, with the addresses redacted, is enclosed. I also enclose a brochure available from [LIM] at that time . . . . I look forward to hearing from you with your assurance that a new name will be found for your company . . .

App. 289-90. Caldwell enclosed a copy of a promotional brochure and a letter to solicit clients on LIM letterhead dated September 5, 1995.[4]

On April 12, 1996, R.A. Ryan, AT&T's trademark counsel, responded to the March 15, 1996 letter, stating that she did not agree that LTI's use of the name "Lucent Technologies" created a likelihood of confusion, that the companies' markets did not overlap, and that their services and products are not confusingly similar. As we noted above, LIM thereafter filed an application to register the mark LUCENT. LIM's then-trademark counsel responded to the April 12, 1996 letter with a proposed agreement that each party would refrain from opposing the other parties' registration of the mark, and would use trade dress, advertising and marketing in a manner that would avoid likelihood of confusion. The parties, however, did not enter into that agreement. Shortly thereafter, LIM began this litigation.[5]

C. Procedural History

LIM filed this suit on September 12, 1996, in the district court. LIM alleged that LTI infringed its trademark in violation of *15 U.S.C. § 1125*(a), and alleged service mark and trade name infringement and unfair competition and deceptive trade practices under Delaware law (counts I-V). LIM sought injunctive relief, recovery of LTI's profits, and treble damages. LTI

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[4]Subsequently, LIM admitted that the letter had in fact been sent out on Corporate Consultants' letterhead. Significantly, the enclosed brochure did not in fact exist in September 1995, as LIM created it later.

[5]LIM has filed five opposition proceedings arising out of LTI's application to file the LUCENT trademark with the United States Patent and Trademark Office which have been suspended pending the outcome of this appeal.

answered on October 3, 1996, denying infringement and raising several affirmative defenses, but generally admitting use of the name.[6]

On July 3, 1997, LTI moved for summary judgment as to counts I-V of the complaint, on the ground that LTI had prior rights to the name and mark LUCENT. The district court granted LTI's summary judgment motion as to counts I-V in an opinion and accompanying order dated November 5, 1997. *Lucent Info. Management v. Lucent Technologies, Inc.*, 986 F. Supp. 253 (D. Del. 1997). While there were further proceedings in the district court, this appeal and thus the opinion concerns only those counts.[7] After the further proceedings LIM filed a timely appeal on April 17, 1998.

III. STANDARD OF REVIEW

We review the district court's order granting summary judgment de novo, and we apply the same test the district court applied in the first instance. See *Petruzzi's IGA Supermarkets, Inc. v. Darling-Delaware Co.*, 998 F.2d 1224, 1230 (3d Cir. 1993). Consequently, we must determine whether the record, when viewed in the light most favorable to LIM, shows that "there is no genuine issue as to any material fact" and that LTI is "entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). We confine our discussion to the trademark infringement count as LIM has not briefed the case under state law.

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[6] On May 14, 1997, LIM filed a supplemental complaint, alleging five additional claims for copyright infringement, tortious interference, trade libel, Lanham Act violations, and fraud (counts VI-X). The district court determined that those claims involved distinct issues from counts I-V.

[7] LTI also moved for summary judgment on counts VI-X, and was granted summary judgment on March 24, 1998. See *Lucent Info. Management, Inc. v. Lucent Technologies, Inc.*, 5 F. Supp. 2d 238 (D. Del. 1998). Inasmuch as LIM has briefed and argued only the dismissal of its original infringement claims, and not the dismissal of its supplemental claims, we address only the former.

IV. DISCUSSION

A. Trademark Infringement

Trademark law protects owners in the exclusive use of their marks when use by another is likely to cause confusion. See *A&H Sportswear Inc. v. Victoria's Secret Stores, Inc.*, 166 F.3d 197, 205 (3d Cir. 1999) (en banc). Thus, to obtain relief a plaintiff in an infringement case must demonstrate its ownership of the mark. In considering who owns the mark LUCENT, the question before us is whether a reasonable trier of fact could find that LIM's activities prior to November 30, 1995, when LTI filed its ITU, established prior rights in the mark through use in commerce.

We consider events before November 30, 1995, because federal registration of a trademark is prima facie evidence of the mark's validity, the registrant's ownership of the mark, and its exclusive right to use the mark in commerce. *15 U.S.C. § 1115*(a). Nevertheless, there are limitations on the right as section 7(c) of the Lanham Act states that "the filing of an application to register [a mark] shall . . . confer[ ] a right of priority, nationwide in effect, . . . against any other person except for a person . . . who, prior to such filing, has used the mark." *15 U.S.C. § 1057*(c). Consequently, the parties agree that LIM must establish rights in the name and mark LUCENT by its prior "use [of the mark] in commerce"—"use" being defined as "the bona fide use of a mark in the ordinary course of trade. . . ." *15 U.S.C. § 1127.*

It is a well-settled principle that a plaintiff must establish that it had prior rights or "priority" in the mark. See *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1231 (3d Cir. 1978) ("relief is only available if the plaintiff establishes priority"). Because LTI filed its ITU on November 30, 1995, LTI has priority over anyone using the mark after that date unless the person earlier used the mark. *15 U.S.C. §§ 1051*(b), 1067(c). Accordingly, inasmuch as LIM does not assert prior registration, see *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992), it can prevail only if it shows prior use of the mark "in a way sufficiently public to identify or distinguish the marked

goods in an appropriate segment of the public mind as those of the adopter of the mark." *Blue Bell, Inc. v. Farah Mfg. Co., Inc.*, 508 F.2d 1260, 1266 (5th Cir. 1975).

LIM points out that this is a "reverse confusion" case, and contends that *Fisons Horticulture, Inc. v. Vigoro Indus Inc.*, 30 F.3d 466 (3rd Cir. 1994), controls the outcome. See also *A&H Sportswear*, 166 F.3d at 207. Reverse confusion exists when a junior user uses its size and market penetration to overwhelm the senior, but smaller, user. The "senior user" is the first to adopt and use a mark anywhere in the country. The "junior user" is the second user, regardless of whether it adopts and uses a mark in a geographically remote location. See 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 26.01[1] (4th ed. 1996). Reverse confusion doctrine protects the senior user's control of its mark and the goodwill created by the mark from a junior user's employment of the mark, and protects the public from being deceived into believing that the senior user's product emanates from, is connected to, or is sponsored by the junior user.

The facts in this case fit the reverse confusion model: LIM is the little start-up alleging that its identity and goodwill, built upon alleged use of a mark, have been threatened by LTI's swamping the market with the allegedly later use of the same mark. But, as LTI points out, LIM must show, as did the senior user in Fisons, that it is in fact the senior user. In Fisons, the senior user was the uncontested owner of the registered mark in dispute, so there was no need for it to establish rights through prior use. *Fisons*, 30 F.3d at 469. Thus, in that case we were able to proceed to a likelihood-of-confusion analysis. But we cannot apply the senior user versus junior user analysis of Fisons unless and until we determine that there are two "users" of the same mark. Because the record cannot support that finding, we do not undertake a likelihood-of-confusion analysis.

We measure "use" by the four-factor test of *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398-99 (3d Cir. 1985). That case represented and is clearly applicable to the commonly recurring fact pattern of concurrent use of

confusingly similar common-law trademarks in different regions. Here, we do not have geographic competition, with a senior user allegedly being established in an area, and a junior user moving in on that territory or trying to use the same mark in another region. From its outset LTI was willing and able to operate nationwide, and has undisputed national market penetration.[8]

The facts before us vary from the classic geographic extent of use cases. However, we may assess the basic issue — market penetration based upon prior use of the mark — applying the Natural Footwear test, which, like similar tests in other circuits, measures the extent of a senior user's actual use and zone of expansion. See, e.g., *Peaches Entertainment Corp. v. Entertainment Repertoire Assocs., Inc.*, 62 F.3d 690, 693 (5th Cir. 1995) (examining whether the defendant had established a market presence or market penetration in any specific locality as of the date of registration of plaintiff's mark and noting that the market area is frozen at the time of the registration by the senior user).[9]

A party asserting trademark ownership in a trading area must show "clear entitlement" to protection of its trademark in a particular market. See *Natural Footwear*, 760 F.2d at 1397. In other words, that party must introduce evidence to show its trademark "has achieved market penetration that is 'significant enough to pose the real likelihood of confusion among the

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[8] LIM cannot show national sales penetration or recognition of its mark, but appears to argue that there is a natural zone of expansion for its services—the entire nation—for it eventually could reach customers nationwide and hoped to do so. We need not reach the issue of calculating its zone of expansion as its commercial use of LUCENT has not been established even in a small area. See, e.g., *ACCU Personnel, Inc. v. AccuStaff, Inc.*, 846 F. Supp. 1191, 1208-09 (D. Del. 1994) (refusing to find zone of natural expansion in parts of Pennsylvania and Delaware from plaintiff's usage area in southern New Jersey).

[9] We note that a district court has used the Natural Footwear test to assess market penetration in a situation involving overlapping but not distinct geographic sales regions. See *Smith v. Ames Dep't Stores, Inc.*, 988 F. Supp. 827, 837-39 (D.N.J. 1997), aff'd, 172 F.3d 860 (3d Cir. 1998) (table).

consumers in that area.'" Id. (quoting *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967)). Natural Footwear adopted a four-factor test "to determine whether the market penetration of a trademark in an area is sufficient to warrant protection: (1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area." *Natural Footwear*, 760 F.2d 1383, 1398-99 (internal citations omitted).

Applying this test, we reach the same result as did the district court in granting LTI's motion for summary judgment. LIM's "volume of sales" in 1995 consisted of Armstrong's single sale for $323.50. This court has held that sales volume must be more than de minimis. "When sales activity does not exceed even a minimum threshold level, a court may properly conclude that market penetration . . . simply has not been demonstrated." *Id.* at 1400 (finding de minimis clothing sales of less than $5,000 and total of over 50 customers in at least two of the three years for which sales data were available). LIM asks us to consider *Blue Bell*, 508 F.2d at 1265, in which the Court of Appeals for the Fifth Circuit held that "even a single use in trade may sustain trademark rights if followed by continuous commercial utilization." Here, though, if we look for "continuous commercial utilization" beyond the first sale, as required under Blue Bell, we do not find that the continuous use—the further promotional efforts—"sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark." *Id.* at 1266.

Because LIM made only a single sale in the period before LTI filed its ITU, we cannot find and review "growth trends," the second factor in the Natural Footwear test. LIM has argued that it had the potential and intention to offer services to a nationwide market, but even considering the volume of potential clients in the Philadelphia area, we must conclude that the ratio of existing customers to potential customers is minute.

As for the fourth and final factor, advertising and promotion, LIM stresses that its efforts were not to reach the general

public at first, but rather to cultivate its clientele from existing contacts. LIM does not assert that its advertising and promotion to the public were extensive in any region, let alone nationwide. We may take into account in this respect and more generally the nature of the market LIM has entered and the services it offers. LIM contends that as a start-up company with a limited budget, offering relatively expensive services which are not "sampled" easily by customers, it would be expected to take time for it to win over clients. Accordingly, it is understandable that it would try to establish the business through a small circle of existing business and personal contacts. LIM correctly notes that sales or presentations made to acquaintances or friends may be bona fide commercial uses. But see *Jaffe v. Simon & Schuster Inc.*, 1987 U.S. Dist. LEXIS 14902, 1987 WL 124312, 3 U.S.P.Q.2D (BNA) 1047, 1049 (S.D.N.Y. 1987) ("A [trademark] user's early sales to friends and relatives do not 'actually put the product on the market . . . .'") (citation omitted).

But the fact remains that LIM existed for only about three months before LTI filed its ITU, had made but one sale in that period, had not invested any monies in public advertising or expanded beyond its initial set-up, and had made a relatively small number of sales presentations. LIM offers evidence of confusion generated by LTI's launch, such as phone calls intended for LTI coming to its office or people wondering whether it stole the mark from LTI. Nevertheless, LTI is correct when it stresses that LIM wants to protect its intention to create goodwill and a successful business, and not the goodwill and business itself. Certainly any new business will need time to get off the ground, but the courts cannot aid that effort by awarding trademark rights in an unregistered mark that the business hopes or anticipates will be used but has not been used. Thus, we agree with the district court that LTI has prior rights in LUCENT because it filed its ITU on November 30, 1995, and LIM has not shown prior use.

B. LTI's Good Faith Adoption and Use of the Mark LUCENT

LIM argues that LTI is liable for bad faith because it was aware of LIM's existence and/or use of the mark, but proceeded

to adopt it anyway.[10] The issue is moot because LIM was not a senior user for the above reasons. See *Zazu Designs*, *979 F.2d at 504-05*.

In any case, the only evidence LIM has raised as to whether there was bad faith is LTI's assertion of privilege during discovery as to what steps, if any, LTI took upon generating the trademark search which included the reference to LIM. In this context, we will not draw an adverse inference from the raising of privilege, as courts have found that reliance on the advice of counsel after conducting a trademark search is sufficient to defeat an inference of bad faith. See *Astra Pharms. Prods., Inc. v. Beckman Instruments, Inc.*, 1983 U.S. Dist. LEXIS 18289, 1983 WL 51933, 220 U.S.P.Q. 609, 612 (D. Mass. 1983). Thus, while we have not decided whether a junior user's knowledge of the senior user's use of a mark is sufficient to attribute bad faith adoption of the mark, we see no reason to do so on this occasion. See *A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 296 n.7 (3d Cir. 1986) ("those claims raise interesting issues" not necessary for decision).

V. CONCLUSION

For the foregoing reasons, we will affirm the district court's order of November 5, 1997, granting LTI's motion for summary judgment on counts I-V in the original complaint, dismissing LIM's trademark infringement and related claims.

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[10]Applying the test in Fisons, we would consider whether LTI was "careless" in searching for uses of the mark. *Fisons*, 30 F.3d at 480. In Fisons we suggested, substituting the parties here for those in that case, that "the questions the district court should consider here are whether [LTI] conducted an adequate name search for other companies marketing similar goods under trademarks including the name LUCENT, and whether it followed through with its investigation when it found there were such companies. Did [LTI] consider the likelihood of confusion with other companies' marks and products (as opposed to considering the likelihood that someone would contest its new mark)? Did it attempt to contact companies using a similar mark, such as LIM? Was [LTI] careless in its evaluation of the likelihood of confusion?" Id.

ACKERMAN, Senior District Court Judge, dissenting.

I respectfully dissent from the opinion of my learned colleagues. I agree that the majority has correctly identified the issue in this case, i.e., what constitutes 'use' sufficient to establish a common law trademark. Because, however, I believe there are genuine issues of material fact which preclude entry of summary judgment on this record, I would reverse the summary judgment of the district court. I write also to clarify the process by which district courts should resolve common law trademark disputes.

LTI moved for summary judgment of Counts I through V of LIM's September 12, 1996 Complaint. In those counts, LIM alleges violations of section 43(a) of the Lanham Act and common law trademark infringement. To establish a claim of common law trademark infringement, one must prove (1) it is the owner in the relevant area of a mark that is distinctive and protectable, and (2) that the defendant's actions cause a likelihood of confusion. See e.g., *Ford Motor Co. v. Summit Motor Products, Inc.*, 930 F.2d 277, 291 (3d Cir. 1991). The elements of a section 43(a) violation are similar. See *Paddington Corp. v. Attiki Importers & Distributors, Inc.*, 996 F.2d 577, 582 (2d Cir. 1993).

The primary issue in this appeal is whether LIM has used the "LUCENT" mark in a manner sufficient to confer ownership rights. In granting summary judgment to LTI in this case, the district court determined that no trier of fact could find that LIM had "used" the "LUCENT" mark to a degree sufficient to obtain common law trademark rights. In addressing that issue, the district court first looked to the standard of "use" traditionally applied to common law trademarks and then looked to the standards set forth in *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398-99 (3d Cir. 1985). While I agree with the former approach, I do not agree with the latter. Thus, I also disagree with the majority's exclusive reliance on the test set forth in Natural Footwear to determine the threshold issue of use sufficient to obtain a common law trademark.

A. Standard of "Use" under Common Law Trademark Law

It is a well-established principle of trademark law that the exclusive right to a distinctive mark belongs to the party which first uses the mark in connection with its particular line of business. *McLean v. Fleming*, 96 U.S. 245, 24 L. Ed. 828 (1877); *Ford Motor Co.*, 930 F.2d at 292. This first actual use in commerce, however, must be "deliberate and continuous, not sporadic, casual or transitory." *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1272 (2d Cir. 1974) (Friendly, Cir. J.). Indeed, the right to use a mark exclusively is akin to a monopoly which derives from "its appropriation and subsequent use in the marketplace. The user who first appropriates the mark obtains an enforceable right to exclude others from using it, as long as the initial appropriation and use are accompanied by an intention to continue exploiting the mark commercially." Id. It is axiomatic that if there is "no trade — no trademark." *Id. at 1274.*

The Lanham Act provides that "use" is "the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a mark . . . a mark shall be deemed to be in use in commerce . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce." *15 U.S.C. § 1127.* Although this standard of use applies to the amount of use required to achieve statutory trademark rights and may be lower than the "use" needed to obtain a common law trademark, see *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503-04 (7th Cir. 1992), that standard is instructive with respect to common law trademarks. See, *Zazu Designs*, 979 F.2d at 509 (Cudahy, Cir. J., dissenting); *Societe de Developments et Dinnovations des Maraches Agriocoles et Alimentaires-Sodima-Union de cooperatives Agricoles v. International Yogurt Co., Inc.*, 662 F. Supp. 839, 853 (D. Or. 1987) (noting that "use in commerce required for obtaining a federal registration is generally congruous with the required use of a mark for obtaining ownership under the common law").

Traditionally, ownership of a trademark accrues when goods bearing the mark are "sold, displayed for sale or otherwise publicly distributed." *Blue Bell v. Farah Manufacturing*

Co., Inc., 508 F.2d 1260, 1265 (5th Cir. 1975). Indeed, to establish prior use for a common law mark, distribution of the mark need not be widespread, but it must be of a public nature and more than de minimis. *Allard Enterprises, Inc. v. Advanced Programming Resources, Inc.*, 146 F.3d 350 (6th Cir. 1998); *Kathreiner's Malzkaffee Fabriken Mit Beschraenkter Haftung v. Pastor Kneipp Medicine Co.*, 82 F. 321 (7th Cir. 1897) (common law rights obtained by foreign company which had sent five test shipments to companies and individuals in the United States). Actual sales are not necessary to establish prior use and extensive advertising alone may in some cases be sufficient to establish a common law trademark right. See *Warner-Vision Entertainment Inc. v. Empire of Carolina Inc.*, 915 F. Supp. 639, 645 (S.D.N.Y.), aff'd in part and rev'd in part, 101 F.3d 259 (2d Cir. 1996).

The Sixth Circuit's recent decision in *Allard Enterprises, Inc. v. Advanced Programming Resources, Inc.*, 146 F.3d 350 (6th Cir. 1998) is instructive on the application of the common law standard of "use." In Allard, the defendants began using the contested mark in 1989 in connection with its employee placement business. Defendants were not very successful and had no revenue prior to the relevant date, March 1994. Beginning in 1991, however, the defendants engaged in individualized attempts to place employees at large companies and contacted several large companies to inform them of its business. In 1993 and 1994, the defendants tried to place several employees with large companies with little success. In this regard, defendants sent a fax with two resumes to the company Lane Bryant. Defendants also sent a promotional mailing to 100 potential customers on March 30, 1994.

The Court of Appeals, affirmed the district court's conclusion that defendants' conduct prior to March 1994, though not extensive or profitable, was sufficiently public to warrant common law trademark rights. The Sixth Circuit held that "as long as there is a genuine use of the mark in commerce, . . . , ownership may be established even if the first uses are not extensive and do not result in deep market penetration or widespread recognition." *Id.* at 358 (emphasis added). Relying on the Fifth Circuit's opinion in Blue Bell, the court went on to

hold that "such use need not have gained wide public recognition, and even a single use in trade may sustain trademark rights if followed by continuous commercial utilization." Id. (internal citations omitted); see *Blue Bell*, 508 F.2d at 1265.

Ultimately the Court of Appeals based its conclusion that the defendants had "used" the mark sufficiently on (a) defendants' attempt to complete genuine commercial transactions, (b) the commercial nature of their attempts which need not have "achieved wide public recognition" of the mark and (c) the consistent and continuous, though not high-volume, use of the mark. The court relied specifically upon the fact that the defendants had used the mark "on at least one fax, on at least one resume, and in numerous [oral] solicitations." *Allard*, 146 F.3d at 359. The court further determined that although defendant's word-of-mouth advertisement campaign might not be preferred "it is not so atypical that no reasonable person could view it as 'commercial.'" *Id.* at 358. The Sixth Circuit remanded the case for a finding of the area in which the defendants had continuously used their mark prior to plaintiff's registration.

Given the aforementioned standard of "use" applicable to a common law trademark, as exemplified in Allard, there are on this record genuine issues of material fact which preclude entry of judgment in favor of LTI. Here, a trier of fact may conclude that LIM had used the "LUCENT" mark sufficiently to obtain common law trademark rights. Specifically, LIM had not lain dormant prior to November 30, 1995. Rather, in August and September of 1995, soon after its inception, LIM began its marketing efforts. At that time, LIM hired a graphic designer to develop a logo, letterhead, business cards and other assorted documents such as messages, message pads, labels and brochures. LIM's marketing materials included a folder holding documents from manufacturers and software producers containing labels which identified LIM as the source of the products.

On September 5, 1995, Mr. Feinstein, one of LIM's principals, wrote a letter on the letterhead of another of his companies, Corporate Consultants, which introduced LIM, by name, and the services it provided. The letter was sent to between

approximately 25-50 people: clients of Corporate Consultants and other contacts Mr. Feinstein viewed as potential customers. That letter referred to the services LIM was providing and specifically associated the "LUCENT" mark with those services; "The name Lucent was selected after extensive study and with various database searches. It is a derivation of translucent and well describes our mission of providing light, clarity, and guidance in a new and exciting field." (Sept. 5, 1995 Letter).

Beginning in October 1995, LIM entered into several distributorship agreements with hardware and software companies which authorized it to resell those companies' products. For example, in October 1995 LIM entered into a contract permitting LIM to resell File Magic software, as well as a contract with Tech Data. LIM's principals also attended an exposition in October 1995, sponsored by Imaging World Magazine, at which LIM was registered by its name and the attending LIM principals wore badges that bore the company name.

In November 1995, LIM received its business cards and letterhead from the printers and LIM's principals began distributing extensively their business cards, bearing the "LUCENT" mark, as a means of advertisement. In the Fall of 1995, LIM also directed its marketing efforts at prospects through personal solicitations via mail, phone and personal meetings. LIM, however, did not engage in any public or paid advertising but its employees discussed business with virtually everyone they came in contact with.

Ultimately, LIM made sales presentations to three companies prior to November 30, 1995, the date on which LTI filed its Intent to Use the "LUCENT" mark. The present records establish that on November 3, 1995 LIM made a presentation to ARAMARK in Philadelphia, on November 17, 1995 LIM made a presentation to NBC in New York, on November 21, 1995 LIM made its first of several presentations to Nixon Uniform in Delaware. Although LIM's initial contact with Nixon Uniform was through a personal friend, the solicitation letter and LIM's presentation was made to another Nixon Uniform employee with whom LIM had no prior connection.

Although LIM used various marketing techniques, it made only two sales prior to December 1, 1995. Specifically, on October 5, 1995 for $323.50 LIM installed a modem for the Israel Bonds Office in Philadelphia and provided related training. LIM's contact at the Israel Bonds Office was a friend of one of LIM's principals. LIM provided the Israel Bonds Office with an invoice on a pre-printed LIM form though payment was directed to Mr. Armstrong, one of LIM's principals. In addition to LIM's sale to the Israel Bonds Office, on October 17, 1995 LIM took an order from Corporate Consultants, Mr. Feinstein's company with whom LIM shared office space. The services rendered to Corporate Consultants included: network servers, network fax software, SCSI cards, scanners, and other peripherals as well as consultation services on the design of their document imaging system beginning on November 12, 1995.[1]

At the summary judgment stage, a court may not weigh the evidence or make credibility determinations—these tasks are left to the fact-finder. *Petruzzi's IGA v. Darling-Delaware*, 998 F.2d 1224, 1230 (3d Cir. 1993). I am also mindful that summary judgment motions in this area of the law should be analyzed carefully because the disposition of trademark disputes are factually driven, *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1231 (3d Cir. 1978) and the "right granted to the owner of a registered trademark is a monopoly and should not be extended unless the owner is clearly entitled thereto," *S.C. Johnson & Son, Inc. v. Johnson*, 266 F.2d 129, 136 (6th Cir), cert. denied, 361 U.S. 820, 4 L. Ed. 2d 65, 80 S. Ct. 65 (1959).

Here, the court's grant of summary judgment to LTI grants LTI a monopoly to use the "LUCENT" mark without proof that it is clearly entitled to it. LIM's conduct prior to November 30, 1995 provides a basis upon which a trier of fact may determine

[1]The district court did not credit LIM for this sale to Corporate Consultants because the court considered this to be an internal transaction which did not bear on the determination of whether LIM had established priority. Since the record has not been fully developed on this point, and I resolve all reasonable inferences in favor of LIM, I credit this sale, at this time, to LIM. On a fuller record, the trier of fact can determine whether this sale was sufficiently public to weigh in favor of LIM's ownership rights.

that LIM had "used" the "LUCENT" mark to the degree necessary to show priority of use and ownership. Only a trier of fact making credibility determinations upon a fuller record can ultimately determine whether LIM's intentional and continuous marketing strategy, three sales presentations, participation in a trade show, distributorship contracts and sales were sufficient to establish a common law trademark right. Though there are facts in the record which detract from LIM's early uses, such as LIM's statement in its trademark application that its first sale was in 1996, weighing such evidence is inappropriate at this time. A trier of fact may ultimately weigh this against LIM and conclude that its prior sales were not public enough to achieve a common law trademark. This is not for the court to decide on summary judgment.

The district court's summary conclusion that "the letters and presentations were not extensive enough to satisfy the standard of 'popularization in the public mind,' " relied too heavily on the often-quoted excerpt from Blue Bell that "use" must be "sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark." *Blue Bell*, 508 F.2d at 1266. A closer reading of that case, however, reveals that Farah, which was ultimately awarded ownership of the "Time Out" mark as well as an injunction against Blue Bell, had not obtained any market penetration through its first shipment to customers. Rather, that first shipment upon which Farah's trademark rights rested, was merely the first "point at which the public had a chance to associate Time Out with a particular line of sportswear." *Id.* at 1267. By relying too heavily on that passage in Blue Bell, the district court expected more market penetration than is needed to become the owner of a trademark. Historically, as discussed above, the use required for a common law mark need not be extensive and need not "result in deep market penetration or widespread recognition." *Allard Enterprises, Inc.*, 146 F.3d at 358.

The district court also prematurely discounted LIM's sale to Israel Bonds as being a sale to a friend or relative. Here, although LIM's contact at the Israel Bonds office was a friend

of its principals, a trier of fact may still find that this was sufficiently public based upon a fuller record regarding the nature of the sale, the future servicing and training LIM agreed to provide for Israel Bonds and other facts relevant to the sale. The district court also unduly minimized the significance of LIM's promotional letters introducing LIM to potential clients as well as its word-of-mouth sales campaign. Although LIM's initial promotional efforts were based on word-of-mouth promotions and direct mailings to business associates, this does not necessarily diminish their significance. In this case, the recipients of LIM's September 5, 1995 letter were not merely social friends who did not have any market presence. Rather, it appears from the present record that those 25-50 people were chosen from existing corporate customer lists which represented a list of potential customers. The Allard court properly held that reliance of a word-of-mouth campaign or business contacts which could result in bona fide sales was not "so atypical that no reasonable person could view it as 'commercial.' " *Id. at 358.* Such is the case here.[2]

Thus, because I find that there is a genuine issue of material fact as to whether LIM's conduct establishes "use," I would remand for further proceedings.[3]

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[2]Surely the district court did not intend to conclude that a company's targeting existing corporate clients or "friends in high places" for its promotions and initial sales cannot form the basis for a common law trademark right. Such a holding would have tragic consequences to all companies, particularly large companies, which have cultivated substantial business and social contacts with potential clients. In fact, this is how business has been done for millennia.

[3]Although summary judgment is not appropriate here, it is still appropriate where a company merely reserves a mark to preclude competition or for later use, see *La Societe Anonyme des Parfums le Galion*, 495 F.2d at 1272, where a company makes a token sale to lay down a claim to the mark, see *Talk To Me Productions, Inc. v. Larami Corp.*, 804 F. Supp. 555 (S.D.N.Y. 1992), or made internal, secret sales, *Hydro-Dynamics, Inc. v. George Putnam & Co., Inc.*, 811 F.2d 1470 (Fed. Cir. 1987), or merely made sales to personal friends who were not market players, see *Jaffe v. Simon & Schuster*, 3 U.S.P.Q.2D (BNA) 1047, 1049 (S.D.N.Y. 1987).

B. The Natural Footwear Test

With respect to the district court's secondary reliance on the four-factor test announced in Natural Footwear to determine "use" and the majority's exclusive reliance on that test, I also dissent. Although the Natural Footwear test is useful at the remedy stage of a proceeding to determine the territorial limits of an injunction to delineate trademark rights between two remote users of a confusingly similar mark, that test is inapplicable to the threshold question of ownership. While I am mindful of the precedential value of Natural Footwear, I am also mindful that Natural Footwear does not stand alone as the governing principle of trademark law, and in this case, stands apart from the requisite threshold inquiry for a common law trademark.

I will not recount here the facts of Natural Footwear, suffice it to say that the court was presented with a dispute arising out of the territorial limits of a senior user's mark when a junior user had cultivated the same mark in a geographically remote market. Presented with the need to formulate a test which would address the scope of a common law trademark right, this court announced a four-part test for determining the market penetration of a trademark in a specific area. That test measures "(1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area." *Natural Footwear Ltd.*, 760 F.2d 1383, 1398 (3d Cir. 1985) (internal citations omitted). The purpose of this test is to ensure that a common law trademark holder's rights do not precede it into a market it has not yet penetrated but which a subsequent user has penetrated.

There is no indication in the history or subsequent application of that four-factor test that it was intended to be used to discern the status of a prior user as an initial matter. Rather, the history and later reliance on the Natural Footwear test supports the conclusion that this test is a tool of equity designed to determine the appropriate remedy in a geographical dispute between two good faith users of a mark. In fact, one

must remember that the Natural Footwear test is an exception to the well-established rule of law that a senior user is deemed the exclusive owner of the trademark. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 101, 63 L. Ed. 141, 39 S. Ct. 48 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415-16, 36 S. Ct. 357, 361, 60 L. Ed. 713 (1916). This exception grew out of the need to balance the equities between two good faith remote users of the same mark. Id.; *ACCU Personnel, Inc.*, 846 F. Supp. 1191 at 1213 (D. Del. 1994) (noting exception to rule of priority). The analysis in *Sweetarts v. Sunline, Inc.*, 380 F.2d 923 (8th Cir. 1967), one of the decisions upon which the Natural Footwear court relied, illustrates this point. In Sweetarts, after the Eighth Circuit found that the plaintiff had a valid common law trademark which the defendant had infringed, the court turned to the question of the "geographical extent to which plaintiff is entitled to relief." *Id.* at 928; see also *Weiner King, Inc. v. The Wiener King Corp.*, 615 F.2d 512 (CCPA 1980) (territorial inquiry made only after each user's rights established).

Even within this circuit, it was only recently in *Smith v. Ames Department Stores, Inc.*, 988 F. Supp. 827 (D. N.J. 1997), aff'd, 172 F.3d 860 (3d Cir. 1998), which is not precedential authority, and the instant case, that the Natural Footwear test was applied exclusively to the threshold inquiry of use. Prior to those recent cases, the Natural Footwear test was applied only to the question of the territorial limits of an injunction between two remote users. See e.g., *Ford Motor Co.*, 930 F.2d 277 (discussing the acquisition of a common law trademark without reference to Natural Footwear); *ACCU Personnel, Inc.*, 846 F. Supp. 1191 (Natural Footwear test applied to determine extent of common law trademark rights already secured in Southern New Jersey); *Trans Pacific Insurance Co. v. Trans-Pacific Insurance Co.*, 739 F. Supp. 240 (E.D. Pa. 1990) (preliminary injunction denied to "senior common law mark user" under the Natural Footwear test absent proof of actual market penetration); *City of Newark v. Beasley*, 883 F. Supp. 3, 9 (D. N.J. 1995) (stating that "there is no set formula as to the quantity of use required to establish mark rights. The general rule is that mark rights are not created by sporadic or de minimis use.").

Moreover, in the Eighth Circuit in which Sweetarts is the law, that test is not applied to the threshold inquiry of use but is applied when considering the scope of the remedy given to a senior common law trademark user in a territorial dispute. See *Wrist-Rocket Manufacturing Co., Inc. v. Saunders Archery Co.*, 578 F.2d 727, 732 (8th Cir. 1978) (relying on Sweetarts only for geographical zone of common law rights and not "use" analysis); *Electronic Communications, Inc. v. Electronic Components for Industry Co.*, 443 F.2d 487 (8th Cir. 1971) (on question of prior use, the Eighth Circuit looked to actual use in commerce but did not invoke the Sweetarts standard of inquiry); *Graham Webb International v. Helene Curtis Inc.*, 17 F. Supp. 2d 919 (D. Minn. 1998) (issue of prior use between plaintiff's initial sale of goods compared to defendant's promotional and test efforts addressed with traditional common law principles and no reference to Sweetarts).

It is plain from a review of these cases that the Natural Footwear test is an exception which grew out of the need to balance the equities between two remote users of the same mark where the remedy imposed is a permanent injunction. This test was not meant to be dispositive of the ownership of a mark between two concurrent users and stands in stark contrast to the standard relied upon by Judge Friendly in *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, that "there must be a trade in the goods sold under the mark or at least an active and public attempt to establish such a trade." *Id.* at 1274 (quoting *Clairol, Inc. v. Holland Hall Products, Inc.*, 165 U.S.P.Q. 214 (TTAB 1970)).

By applying to the threshold question of use for a common law mark the same standard of "use" required for a permanent injunctive relief, I respectfully suggest that the majority errs. The distribution of trademark rights is distinct from the question of appropriate remedy. This is especially true in trademark disputes where courts have great latitude to "tailor trademark remedies to decrease the likelihood of confusion without unnecessarily inhibiting competition." *Merchant & Evans, Inc. v. Roosevelt Building Products Co., Inc.*, 963 F.2d 628, 639-40 (3d Cir. 1992). A permanent injunction is, of course, not the

only form of equitable relief in a court's arsenal. See Kane, Siegrun, Trademark Law: A Practioner's Guide, (3d Ed. 1997) at 16-1 - 16-7; *15 U.S.C. § 1116*(a) (courts "shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable.") Given the range of remedies available to an infringed party, there is no sound reason for equating the standard of use to obtain a trademark with the standard needed to obtain an injunction against a remote user.

In practice, this higher standard of use would deprive local start-up concerns in this circuit from obtaining common law trademark rights based upon their deliberate and continuous use of a mark. Indeed, such a test might make it "impossible, with respect to a valuable and desirable article or product of manufacture, designated by a particular brand or in a particular manner, ever to establish a trade," *Kathreiner's Malzkaffee Fabriken Mit Beschraenkter Haftung*, 82 F. at 326. Simply, a company's attempts to establish a business with the aid of a trademark could be stifled by a competitor before that company's sales and "market penetration" ever reach the standard set forth in Natural Footwear. I do not believe this is what was intended under trademark law or under the Lanham Act. Indeed, the majority's formulaic adherence to Natural Footwear proceeds on the theory that a trademark must penetrate a particular geographic area in its inception rather than recognizing that a prior senior user is entitled to ownership of a mark in its development into a larger concern provided that its initial use is enough to grant it ownership rights.

Putting aside for a moment the impact the majority's rule of use may have for start-up companies which are slow to achieve market penetration, one can easily foresee how this new rule may also present problems to long-established companies. The rule adopted by the majority means that trademark users which have engaged in continuous use of their mark albeit over a diffuse area will no longer have any trademark rights. By refusing all common law trademark rights to a long-standing, non-concentrated and moderately successful company under the Natural Footwear test, a junior user can enjoin that

company from using a mark altogether. Such a result runs counter to trademark law.

In this global economy where goods are often sold over a wide area rather than in a neighborhood store, the majority's rule of use penalizes small companies which take advantage of the national market. It is ironic that the majority sets forth such a high standard of use in this day and age when there is a technological revolution underway in which the internet permits small trademark users to sell their goods and services to broad geographic areas. The majority's standard of use places a legal straightjacket on those companies and deprives them of all common law trademark rights. In the end, this will exclude a whole class of trademark users from obtaining rights through "use" rather than registration and will tilt the level playing field which has always been an indispensable ingredient in deciding trademark rights.

The sounder analysis, I respectfully suggest, is to determine first whether a company has engaged in sufficient use of a mark under common law trademark law and, if there is a finding of infringement by another company, the court should consider that first company's market penetration and other indicia of the equities involved in the case to fashion appropriate injunctive relief. See *Allard Enterprises, Inc.*, 146 F.3d 350 (diffuse use created common law rights but case remanded for a determination of what area the defendants had penetrated before granting an injunction); *Soltex Polymer Corp. v. Fortex Industries, Inc.*, 832 F.2d 1325 (2d Cir. 1987) (where confusion was moderate, disclaimer was appropriate remedy); *N. Hess' Sons, Inc. v. Hess Apparel, Inc.*, 738 F.2d 1412 (4th Cir. 1984) (disclaimer relief granted); *Manhattan Industries, Inc. v. Sweater Bee by Banff, Ltd.*, 627 F.2d 628 (2d Cir. 1980) (where equities were close, no permanent injunction granted); *A&H Sportswear Co., Inc. v. Victoria's Secret Stores, Inc.*, 967 F. Supp. 1457 (E.D. Pa. 1997) (disclaimer granted); remanded on other grounds, 166 F.3d 197 (1999); *Wawa Inc. v. Commons at Wawa, Inc.*, 1989 U.S. Dist. LEXIS 10382, 1989 WL 101362 (E.D. Pa. 1989) (disclaimer granted instead of permanent injunction where likelihood of confusion was minimal); *Thrifty*

Rent-A-Car System, Inc. v. Thrift Cars, Inc., 639 F. Supp. 750 (D. Mass. 1986) (recognizing common law senior user but defining market as East Taunton, Massachusetts and fashioning appropriately narrow injunctive relief).

For the foregoing reasons, I dissent from the majority's decision today to raise the "use" requirement for a common law trademark right to the same level needed to obtain a permanent injunction between two remote users.

C. LTI's Good Faith Adoption and Use of the "LUCENT" Mark

As stated by the majority, the court need not determine in this case whether knowledge of a senior user's mark is dispositive of a junior user's bad faith in adopting that mark. Here, since the district court determined that LIM had no trademark rights, logically, the district court did not fully address the issue of LTI's bad faith or its assertion of the attorney client privilege during discovery. As stated above, I disagree with the district court's grant of summary judgment and I would remand this case for further proceedings including a determination of whether LTI may assert the attorney client privilege in this case.

APPENDIX B

LUCENT INFORMATION MANAGEMENT, INC., Plaintiff, v. LUCENT TECHNOLOGIES, INC., Defendant.

Civil Action No. 96-450-RRM

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE

COUNSEL: N. Richard Powers, Esquire, Harold Pezzner, Esquire, Connolly, Bove, Lodge & Hutz, Wilmington, Delaware; Richard I. Samuel, Esquire, Jill C. Greenwald, Esquire, Cobrin Gittes & Samuel, New York, New York; for plaintiff.

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MEMORANDUM OPINION

McKELVIE, District Judge.

This is a trademark case. Plaintiff Lucent Information Management, Inc. ("LIM") is a Pennsylvania corporation specializing in computer document management systems. Defendant Lucent Technologies, Inc. ("LTI") is a Delaware corporation that provides goods and services in telecommunication and information systems.

LIM filed a complaint on September 12, 1996, alleging that LTI is engaging in trademark infringement in violation of federal law, *15 U.S.C. § 1125*(a), through its use of the mark LUCENT. LIM also alleges that LTI is engaging in service mark infringement, tradename infringement, and unfair competition under Delaware common law. Finally, LIM alleges that LTI is violating the Delaware Uniform Deceptive Trade Practices Act,

Del. code ann. tit. 6, § 2532 (1974). On October 3, 1996, LTI filed an answer to LIM's complaint, in which it denies the allegations and raises several affirmative defenses.

On July 3, 1997 LTI moved for summary judgment as to Counts I through V, the claims listed in LIM's September 12, 1996 complaint. LTI argues that its use of the LUCENT mark is not infringement because LIM can not establish use prior to LTI's registration of an intent-to-use application with the Patent and Trademark Office.

On July 1, 1997, LIM moved for partial summary judgment that its claims are not barred by the first three affirmative defenses raised in LTI's answer. These defenses each relate to correspondence that LIM exchanged with LTI. LTI claims that this correspondence constitutes an agreement between the parties that bars LIM's suit, or alternatively that the correspondence is an admission by LIM that LTI is not infringing the mark. This is the court's decision on these summary judgment motions.

I. FACTUAL AND PROCEDURAL BACKGROUND

Both parties submitted briefs in support of their positions on the summary judgment motions. The parties also submitted excerpts from the transcripts of several depositions taken during discovery, as well as selected documents produced during discovery. The court draws the following facts from the parties' pleadings, the parties' briefs, and the evidentiary submissions.

A. LIM's Adoption and Use of Mark

LIM was formed in 1995 by four individuals: Norman Feinstein, Samuel Weinberg, Edward Eisen, and Cliff Armstrong. They formed the company in order to offer services for document imaging and management. On August 22, 1995, the company filed Articles of Incorporation in the Commonwealth of Pennsylvania under the name "Lucent Systems Corporation." On September 22, 1995, the company changed its name to Lucent Information Management.

LIM's office was set up using space within the building owned by Mr. Feinstein's other business, Corporate Consultants, Inc. LIM is still located there today. Two Corporate Consultants employees do all of LIM's clerical work and bookkeeping. These two employees do not receive payment from LIM.

On September 5, 1995, Mr. Feinstein sent out a letter on Corporate Consultants letterhead to approximately 50 people, announcing the formation of LIM and the goals of the company. Around this same time, LIM hired a graphics designer to develop a design for such things as a logo, letterhead, message pads, labels, and brochures.

On October 5, 1995, Mr. Armstrong installed a modem at the Israel Bonds office in Philadelphia. The request for the modem was made by Harriet Potashnick, who Mr. Armstrong knew personally, through Mr. Feinstein. Mr. Armstrong indicated in his deposition, taken in connection with this case, that he did not provide any written materials on LIM to Ms. Potashnick at the time of the sale. He did not have any written correspondence about the transaction with her, and does not recall from whom he obtained the modem. Ms. Potashnick has since produced an invoice for the transaction from the Israel Bonds office files. The invoice has the name and address of LIM at the top, is dated October 15, 1995, and requests that the check be made payable to Cliff Armstrong. Ms. Potashnick has also produced a copy of a check from an Israel Bonds bank account dated October 31, 1995, signed by Ms. Potashnick, payable to Cliff Armstrong for $323.50.

On October 16, 1995, LIM met with Corporate Consultants to discuss products and services that could be used by Corporate Consultants. Corporate Consultants' records indicate they were using File Magic Plus, a system that LIM sells and offers services for, as early as November 12, 1995.

In November 1995, LIM made sales presentations to ARAMARK in Philadelphia, to NBC in New York City, and to Nixon Uniform in Delaware. Between December 1, 1995, and February 5, 1996, LIM made approximately 12 additional sales presentations, to a total of about 50 people. On February 16, 1996,

LIM entered into a support agreement for document management software with a local bank.

LIM has continued to try and build its business. Through 1996 LIM had made sales with total gross revenues of approximately $138,000.00.

B. LTI's Adoption and Use of Mark

In 1995, AT&T began the process of creating a spinoff company, which would focus on telecommunication systems and technology. That fall, AT&T hired an outside firm to generate possible names for the new company. One of the suggested names was "Lucent." AT&T's trademark counsel, Frank L. Politano, coordinated efforts to find a name for the spinoff company.

In November, 1995, AT&T obtained two full trademark reports and a trade name search for LUCENT. One of these reports, prepared by Thompson & Thompson, lists LIM. The report is 82 pages longs and lists all the company names that were produced by a series of computer database searches. The searches looked for such things as the word "Lucent," or the combination of letters "LUC" in a company name. Searches were performed in a database of PTO references, in a state trademark database, and in common law libraries and databases. In one on-line search, LIM is listed as a Pennsylvania corporation, along with 65 other companies.

On November 30, 1995, AT&T filed an intent-to-use ("ITU") application with the PTO for the mark LUCENT for classes 9, 37 and 42. These classes cover a wide range of goods and services, including telecommunications products, designs for telecommunications systems, and telecommunications computer programs and networks. The application was allowed by the PTO on June 10, 1997. LTI has since filed statements of use. The registration has not yet been issued.

On January 30, 1996, LTI purchased the rights to the mark LUCENT SYSTEMS and the Internet domain name LUCENT.COM from a California corporation called Lucent Systems, Inc. Lucent Systems was a computer consulting

company that had used the LUCENT name and mark from 1987 through 1996. After the sale of the name, Lucent Systems changed its name to Denken Systems, Inc. and continued to do computer consulting work.

On February 5, 1996, AT&T announced that its spinoff company would be named "Lucent Technologies, Inc." Major newspapers all across the country reported this announcement. LTI mailed out announcements to over 1.2 million people.

C. Dealings Between LIM and LTI

On March 15, 1996, LIM's trademark attorney, John Caldwell sent a letter to LTI objecting to LTI's use of the name LUCENT, and claiming that LIM had already adopted and used this name on a nationwide basis.

On April 12, 1996, LTI's trademark counsel, R.A. Ryan, responded to the March 15 letter from LIM. Ms. Ryan stated that she did not agree that LTI's use of the name Lucent Technologies creates a likelihood of confusion. She explained that in her opinion the two companies' markets do not overlap, and their products and services are not confusingly similar.

On April 29, 1996, LIM filed an application with the United States Patent and Trademark Office ("the PTO") to register the mark "Lucent" for computer and office-related services. The application claimed that LIM first used the mark on March 6, 1996.

Mr. Caldwell responded to LTI's letter with a proposed agreement ("the Agreement"), in which each party would agree to refrain from opposing the other's registration of the mark LUCENT, and to use trade dress, advertising, and marketing in a way that would avoid significant likelihood of confusion. The Agreement was never signed by the parties.

On June 25, 1996, Richard Samuel wrote a letter to Ms. Ryan indicating that he was taking over representation of LIM in the matter, and that any previous offers of settlement by LIM were withdrawn.

On September 12, 1996, LIM filed suit against LTI. The complaint alleges that LTI infringes LIM's trademark in violation of federal trademark law, *15 U.S.C. § 1125*(a). It also alleges that LTI is violating the common law of the State of Delaware as it relates to service marks, tradename infringement, and unfair competition. Finally, it alleges that LTI is violating the Delaware Uniform Deceptive Trade Practices Act. See Del. code ann. tit 6, § 2532 (1974).

On October 3, 1996, LTI filed an answer to LIM's complaint. In the answer, LTI denies the allegations and raises several affirmative defenses. Three of these defenses are based on the correspondence and proposed agreement between the parties. LTI argues that these documents either comprise an agreement in principle to settle the claims, or an admission by LIM that there is no likelihood of confusion. Alternatively, LTI argues that LIM is equitably estopped from maintaining this action.

On December 27, 1996, LIM submitted a proposed amendment to its registration application, claiming that its first use of the LUCENT mark was the September 5, 1995 letter announcing the creation of the company.

During discovery, LTI submitted a set of interrogatories to LIM, asking LIM to list its monthly revenues from June 1, 1995. LIM submitted revenue numbers starting with "$0.00" for January 1996. When asked to identify each product or service sold under the LUCENT name, and to give the date of first sale, the first item listed by LIM was the February 16, 1996 support agreement.

During the course of discovery, LTI hired Data Development Corporation, who conducted a survey on the issue of likelihood of confusion. The survey used two letters that were very similar to the letter sent out by LIM on September 5, 1995. One of the letters was the same except that the letterhead was LIM's (instead of Corporate Consultants, Inc.), and had a new date (contemporaneous with the survey). The second letter was a modified version of the original LIM letter, introducing the services of a fictitious company called "Lucent Lighting

Management." Participants in the survey were told they would be getting a package by Federal Express, and to keep the package closed until they were called. Surveyors would then call and ask the participants to open the package, read the letters, and respond to questions about the letters. Data Development sent the survey to over 200 people.

After learning of the survey, LIM applied to register its letter with the United States Copyright Office in February 1997. On May 14, 1997, LIM filed a supplemental complaint, adding five additional claims. The first four of these claims (Counts VI through IX) all involve the use of LIM's September 5, 1995 letter in the Data Development survey. The claims are for copyright infringement, tortious interference, Lanham Act violations, and trade libel.

The supplemental complaint also adds Count X, which is for fraud in the inducement. This claim is raised in response to LTI's argument that the correspondence and proposed Agreement between the parties estops LIM from proceeding. LIM claims that if the court finds that there was an agreement, despite LIM's claim that there was not, then LTI committed fraud in inducing the agreement with LIM.

In a telephone conference on July 31, 1997, the court bifurcated these new claims, Counts VI through X, on the grounds that the issues involved were distinct from the original issues, and that their presentation would be a distraction and possible obstacle to the resolution of the original claims on their merits.

On July 1, 1997, LIM filed a motion for partial summary judgment. LIM asks the court to find that its claims are not barred by any of LTI's first three affirmative defenses. These defenses each deal with the Agreement and its related correspondence. LIM argues that there was no agreement or admission by LIM, and that LTI has not met its burden of showing evidence to establish the existence of an agreement or admission.

On July 3, 1997, LTI filed a motion for summary judgment on Counts I through V. This is the court's decision on these motions.

II. DISCUSSION

A. Summary Judgment Standard

Summary judgment is appropriate when the "pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c).

The plain language of Rule 56(c) mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial.

Celotex Corp. v. Catrett, 477 U.S. 317, 322, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986). The moving party bears the initial burden of demonstrating the absence of material issues of fact. *Id.* at 323. However, the moving party need not support its motion with affidavits or other documents disproving the nonmoving party's claim, but need only "show[] — that is point[] out to the district court — that there is an absence of evidence to support the nonmoving party's case." *Id.* at 325. The nonmoving party must then go beyond the pleadings and through affidavits or other evidence demonstrate the existence of a genuine issue of material fact. *Id.* at 324. In making this evidentiary demonstration, the nonmoving party "must introduce more than a mere scintilla of evidence showing that there is a genuine issue for trial; [he] must introduce evidence from which a rational finder of fact could find in [his] favor." *Colburn v. Upper Darby Township*, 946 F.2d 1017, 1020 (3d Cir. 1991) (quotations and citations omitted). However, the district court is required to construe the evidentiary record so as to give the nonmoving party reasonable factual inferences. *Hampton v. Borough of Tinton Falls Police Dep't*, 98 F.3d 107, 112 (3d Cir. 1996).

B. Can LIM Establish "Prior Use?"

1. LTI's Priority Date

Section 7(c) of the Lanham Act states that "the filing of an application to register [a trademark] shall . . . confer[] a right of priority, nationwide in effect, . . . against any other person except for a person . . . who, prior to such filing, has used the mark." *15 U.S.C. § 1057*(c). This provision applies to ITU applications such as the one filed by LTI in this case, since an ITU application is considered an application to register a mark under *15 U.S.C. § 1051*(b). See *Zirco Corp.*, 1991 TTAB LEXIS 43, 21 U.S.P.Q.2D (BNA) 1542, 1543-44 (Trademark Trial & Appeal Bd. 1992) ("Section 7(c) . . . is intended to fix a registrant's nationwide priority rights in its mark from the filing date of its application whether the application is based on use or intent-to-use."). Thus, LTI's ITU application, filed on November 30, 1995, confers priority to LTI over anyone who uses the mark after that date.

LIM has suggested that it is inappropriate to use the November 30, 1995 application date because LTI has not yet been granted the actual application. However, LTI may rely on this date in defending an action. To find otherwise would "eviscerate the ITU provisions and defeat their very purpose." *Warnervision Entertainment Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259, 261-62 (2d Cir. 1996) (finding that ITU filing date can be used in defense of trademark infringement suit, and distinguishing the case from one where the date is used to seek affirmative or offensive relief). See also *Talk to Me Products, Inc. v. Larami Corp.*, 804 F. Supp. 555, 560 (S.D.N.Y. 1992) (finding that a plaintiff may not rely on the filing date of its own ITU application to show priority where registration has not yet occurred, but distinguishing the case where a party relies on the date of their ITU application against someone who is attempting to defeat their registration efforts); *Zirco*, 21 U.S.P.Q.2D (BNA) at 1544 (holding that "there can be no doubt but that . . . an intent-to-use applicant can rely upon this date in an opposition brought by a third party asserting common law rights"). Thus, LIM must show that it had ownership rights in the LUCENT mark prior to November 30, 1995.

2. LIM's Rights Prior to November 30, 1995

LIM did not apply for registration of the mark until April 1996. Therefore LIM can not rely upon statutorily conferred priority of ownership under the Lanham Act through registration and use. See *15 U.S.C. § 1057*. However, trademark ownership is not solely established by registration. See *Jaffe v. Simon & Schuster Inc.*, 3 U.S.P.Q.2D (BNA) 1047, 1049 (S.D.N.Y. 1987) ("Ownership of a mark is not determined by the race to the Patent Office, but by the race to the market."). Trademark ownership is categorized and documented by the registration procedures, but is "acquired by adoption and use" according to common law traditions. *Hydro-Dynamics, Inc.*, 811 F.2d 1470, 1473 (Fed. Cir. 1987) (citing *Armstrong Co. v. Nu-Enamel Corp.*, 305 U.S. 315, 334, 83 L. Ed. 195, 59 S. Ct. 191 (1938). Thus, LIM can establish ownership of the LUCENT mark, prior to the date of LTI's ITU application, by showing that LIM had already "adopted and used" the mark.

Determining the amount of activity that constitutes "adoption and use" involves an inquiry into the facts of each case. *Windows User, Inc. v. Reed Business Publishing Ltd.*, 795 F. Supp. 103, 109 (S.D.N.Y. 1992). A similar inquiry is done by the PTO when considering applications for registration. The Lanham Act offers two ways to register a mark: (1) where the mark was already "used in commerce," *15 U.S.C. § 1051*(a); and (2) where the party "intends to use" the mark, *15 U.S.C. § 1051*(b). The "intends to use" statute requires the party to subsequently file a verified statement that the mark was actually "used in commerce." § 1051(d). Thus, either way, registration of a trademark requires that the mark be "used." The Lanham Act defines "use in commerce" as "the bona fide use of a mark in the ordinary course of trade." *15 U.S.C. § 1127*. The Act goes on to say that a mark shall be deemed to be in use when it is placed on goods and shipped or sold.

However, in the absence of registration, the "use" required to establish trademark ownership under the common law is not the same as the "use" required to register the mark and be granted a priority date. *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992) ("Use sufficient to register a mark that

soon is widely distributed is not necessarily enough to acquire rights in the absence of registration."). The "use" that satisfies the registration requirement may not be sufficient "if [the] owner seeks to use the mark to stifle the efforts of others." *Talk to Me Products*, 804 F. Supp. at 561. Thus, the standard for determining which activities will establish ownership of a trademark without registration is much stricter than the standard for determining whether a mark is registrable. LIM must establish that its use of the LUCENT mark, prior to November 30, 1995, was not just enough to support an application for registration, but rather was extensive enough to establish common law trademark rights.

3. LIM's Activities Prior to November 30, 1995

Use sufficient to establish common law trademark rights must be "sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark." *Blue Bell, Inc., v. Farah Manufacturing Company, Inc.*, 508 F.2d 1260, 1266 (5th Cir. 1975). The activities "must have substantial impact on the purchasing public." *T.A.B. Systems v. Pactel Teletrac*, 77 F.3d 1372, 1376 (Fed. Cir. 1996).

The activities that LIM engaged in prior to the date of LTI's ITU application date can be divided into two basic categories. The first is advertising and promotion. The second is sales. The court will address these two categories in turn.

a. Advertising and Promotion

To establish prior use and the resulting ownership of a trademark, actual sales of goods are not necessarily required. See *Warnervision Entertainment Inc. v. Empire of Carolina Inc.*, 915 F. Supp. 639, 645 (S.D.N.Y. 1996), aff'd in part and rev'd in part, 101 F.3d 259 (2d Cir. 1996). It is possible for a party to show use of a term in a manner "analogous" to the traditional trademark use, which normally involves a sale. See *T.A.B. Systems*, 77 F.3d at 1375 (citing *Steer Inn Sys., Inc. v. Laughner's Drive-In, Inc.*, 56 C.C.P.A. 911, 405 F.2d 1401 (C.C.P.A. 1969)).

For advertising alone to constitute use it must be "of sufficient clarity and repetition to create the required identification [and] must have reached a substantial portion of the public that might be expected to purchase the service." *T.A.B. Systems*, 77 F.3d at 1377. Several courts have held that advertising alone can not be enough to constitute use. See, e.g., *Blue Bell*, 508 F.2d at 1265; *Steer Inn Systems*, 56 C.C.P.A. 911, 405 F.2d 1401 (finding that use of the mark on an office door sign, letterheads and architectural drawings was not enough to prove prior use).

LIM sent out a letter on September 5, 1995, announcing the new business and its name. The letter was on Corporate Consultants letterhead. LIM also made several product presentations during the month of November. However, the court concludes that these letters and presentations were not extensive enough to satisfy the standard of "popularization in the public mind." *T.A.B. Systems*, 77 F.3d at 1377. In fact, LIM itself admits that the cases where analogous use was found sufficient to establish prior rights "are entirely inapplicable to the case at bar." Docket Item ("D.I.") 72 at 29. Thus the court concludes that no reasonable trier of fact could find the advertising and promotional activities of LIM to qualify as prior use.

b. Sales

While a sale or sales is not the "sine qua non of a use," *Blue Bell*, 508 F.2d at 1265, it is good evidence of "activity which would create an association in the mind of the consumer public between [the owners of the mark] and said mark." *Windows User*, 795 F. Supp. at 109.

LIM has produced an invoice for the sale of a modem to the Israel Bonds Office, dated October 16, 1995, and a check from the Israel Bonds Office to Cliff Armstrong for $323.50. This transaction does not appear anywhere on LIM's Transaction Report, which begins on September 20, 1995. The customer contact at Israel Bonds was Harriett Potashnick, a friend of Mr. Armstrong and of Mr. Feinstein. In interrogatories, LIM has indicated that its first sale was not made until 1996. However, viewing this evidence in the light most favorable to LIM, the

court will assume that the Israel Bonds transaction constituted a sale of goods by LIM. There are no other transactions prior to November 30, 1995 that could be considered a sale by LIM.

LIM claims that the one sale is enough to establish priority over LTI. In *Blue Bell*, 508 F.2d 1260, at 1265, the Fifth Circuit found that "even a single use in trade may sustain trademark rights if followed by continuous commercial utilization." Indeed, traditional common law concepts teach that "ownership of a trademark accrues when goods bearing the mark are placed on the market." Id., (citing *Wallace & Co. v. Repetti*, 266 F. 307 (2d Cir. 1920)).

However, many other courts have refused to recognize trademark ownership by a party that can only point to limited sales or sales to friends and relatives. See, e.g., *Jaffe*, 3 U.S.P.Q.2D (BNA) at 1049 (granting summary judgment for defendant while finding that "token sales to personal friends and relatives . . . do not constitute . . . ownership of the mark" and that "federal trademark laws are not invoked by a small, isolated shipment of goods between business associates"); *Talk to Me Products*, 804 F. Supp. at 561 (granting summary judgment for defendant and quoting 3 R. Callmann, Unfair Competition, Trademarks and Monopolies, § 19.09 (4th ed. 1983), which states that "a single sale, for the sole purpose of laying down the foundation for a claim of use, cannot be seriously considered").

The Third Circuit held in *Natural Footwear Ltd v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1397 (3d Cir. 1985), that "because awarding ownership of a mark gives the relevant company a monopoly over the use of that mark in the prescribed area, the party asserting ownership must make a showing of 'clear entitlement.'" (quoting *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1231 (3d Cir. 1978)). The court went on to set out a four-factor test for determining whether a party has established trademark rights in a specific geographic area. These four factors are: (1) volume of sales; (2) growth trends; (3) the number of persons purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising. 760 F.2d at 1398-99. The

court found no trademark rights were established by the "de minimis" sales, which the court defined to be less than $5,000 and less than 50 customers for any specific region.

While LIM seeks to prove ownership of the LUCENT mark on a national scale, the geographical test set out in Natural Footwear at least offers a guideline for determining whether LIM's one sale was adequate to establish rights in the mark. Factors (1) through (3) each work against LIM. LIM made one sale for $323.50 in 1995, no more until 1996, and there are many potential customers for document management services. LIM's sales volume (factor 1) was low, the growth trend (factor 2) was nonexistent, and the relative amount of sales (factor 3) was also very low. As noted above, advertising and promotion was not extensive, and so factor 4 also does not weigh in favor of LIM.

In *Zazu*, 979 F.2d 499, the Seventh Circuit was faced with a fact pattern similar to the one before this court. Plaintiff ZHD applied for registration of the mark ZAZU for hair products after defendant L'Oreal had itself applied. L'Oreal applied for the mark after running a trademark search, in which ZHD's name came up, and after calling ZHD and being told that ZHD was not selling any ZAZU products. Before L'Oreal's application, however, ZHD ordered a large amount of shampoo bottles, and made a few sales. The Seventh Circuit reversed a finding by the district court that defendant L'Oreal was liable for trademark infringement and declared that "[a] few bottles sold over the counter in Hinsdale [Illinois], and a few more mailed to friends in Texas and Florida, neither link the ZAZU mark with ZHD's product in the minds of consumers nor put other producers on notice." *Id.* at 503.

Thus, the court concludes that even if LIM could show that the sale of one modem to Israel Bonds Office can be credited to LIM, no reasonable trier of fact could conclude that this sale constituted prior use.

C. Did LTI Adopt the LUCENT Mark in Bad Faith?

LIM claims that LTI intentionally adopted the LUCENT mark and engaged in an extensive advertising campaign, despite

being aware of LIM's prior adoption of the mark. The Third Circuit has found that the relative intent inquiry in cases of reverse confusion involves determining whether defendant "was careless in not conducting a thorough name search for American uses of the name." *Fisons Horticulture, Inc. v. Vigoro Industries, Inc.*, 30 F.3d 466, 480 (3d Cir. 1994) (quoting *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983)). In Fisons, the court suggested considering such questions as the adequacy of the name search, the follow-through on the investigation, and the evaluation of likelihood of confusion.

In the present case, LTI specifically hired a firm to do a trademark search. The Thompson & Thompson report did list LIM. However, this was a two-line reference in a report several hundreds of pages long. LTI used experienced trademark counsel in determining that it could register the mark. Furthermore, LTI went to the trouble of settling with LSI Systems in California, in order to avoid infringing LSI's trademark rights, and in order to obtain the internet site LUCENT.COM. These are not the actions of a party proceeding in bad faith.

More importantly, the court has already concluded that LIM had not established trademark rights in the mark prior to LTI's registration. Therefore, LTI was entitled to register or use the mark at the time that it did, and thus did not proceed in bad faith.

D. LIM's Motion for Summary Judgment

LIM has moved for summary judgment that its claims I through V are not barred by LTI's first three affirmative defenses. Since the court will grant summary judgment on Counts I through V against LIM, it does not need to consider LIM's motion.

III. CONCLUSION

For the reasons stated above, the court will grant summary judgment in favor of defendant LTI and against plaintiff LIM on Counts I through V of plaintiff's complaint. The court will also deny plaintiff LIM's motion for summary judgment that its claims are not barred by LTI's affirmative defenses.

The court will enter an order in accordance with this memorandum opinion.

ORDER GRANTING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT ON COUNTS I THROUGH V AND DENYING PLAINTIFF'S MOTION FOR PARTIAL SUMMARY JUDGMENT

For the reasons set out by the court in its November 5, 1997 memorandum opinion, IT IS HEREBY ORDERED as follows:

1. Defendant's motion for summary judgment on counts I through V of plaintiff's complaint (D.I. 52) is granted.

2. Plaintiff's motion for partial summary judgment that its claims are not barred by certain of defendant's affirmative defenses (D.I. 51) is denied.

Roderick R. McKelvie

UNITED STATES DISTRICT JUDGE

Dated: November 5, 1997